

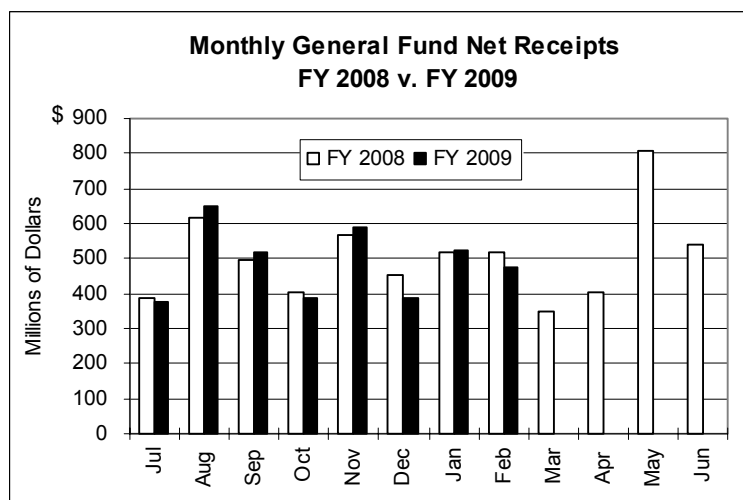
TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: March 2, 2009

## Monthly General Fund Receipts through February 28, 2009

The attached spreadsheet presents FY 2009 General Fund total net receipts with comparable figures for actual FY 2008. The figures can be compared to the FY 2009 estimate of \$5.991 billion set by the Revenue Estimating Conference (REC) on December 12, 2008. The FY 2009 estimate is a decrease of \$28.2 million (- 0.5%) compared to actual FY 2008 total net receipts (excludes transfers). The next REC meeting is March 20, 2009.



## FY 2009 Compared to FY 2008

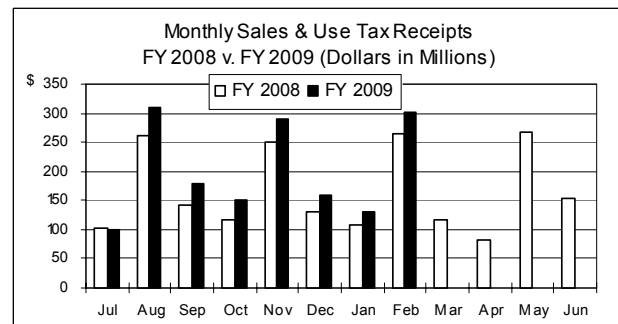
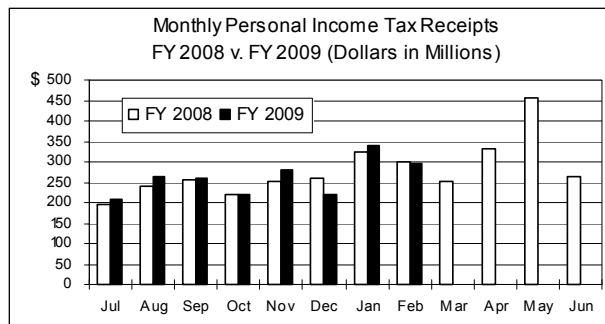
Year-to-date FY 2009 total net receipts (excluding transfers) decreased \$60.7 million (- 1.5%) compared to FY 2008. Major sources and their contribution to the FY 2009 change include:

- Personal income tax (positive \$41.2 million, 2.0%)
- Sales/use tax (positive \$240.4 million, 17.4%)
- Corporate tax (negative \$43.3 million, - 15.1%)
- Other taxes (negative \$10.6 million, - 3.5%)
- Other receipts (negative \$3.4 million, - 1.2%)
- Tax refunds not including school infrastructure refunds (negative \$63.6 million)

- School infrastructure sales/use tax refunds (negative \$221.5 million)

**Personal Income Tax** revenues received in February totaled \$295.4 million, a decrease of \$4.0 million (- 1.3%) compared to February 2008.

The FY 2009 REC income tax estimate of \$3.424 billion represents a projected increase of 1.9% compared to actual FY 2008. Through February, total income tax receipts increased 2.0%. By subcategory, withholding payments increased \$49.7 million (2.9%), estimate payments decreased \$8.7 million (- 2.9%), and payments with returns increased \$0.2 million (0.4%). The following chart compares FY 2009 monthly income tax receipts from the three personal income tax subcategories with FY 2008.



**Sales/Use Tax** receipts received in February totaled \$301.0 million, an increase of \$35.9 million (13.5%) compared to February 2008. The State sales/use tax rate was increased from 5.0% to 6.0% beginning July 1, 2008, with the increase replacing the School Infrastructure Local Option (SILO) sales tax. Beginning in August, sales/use gross tax receipts were no longer adjusted for SILO sales tax payments to school districts. This change is the reason for strong monthly sales/use tax increases in FY 2009.

The REC estimate for FY 2009 sales/use tax receipts is \$2.419 billion, an increase of 20.9% compared to actual FY 2008. Through February, total gross sales/use tax receipts have increased 17.4%. The preceding chart compares FY 2009 monthly sales/use tax receipts with FY 2008.

**Corporate Tax** receipts received in February totaled \$12.9 million, a decrease of \$22.7 million (- 63.8%) compared to February 2008. February 2008 receipts contained several large settlement payments, causing February 2009 receipts to appear low by comparison. Even with the adjustment, February 2009 was a poor month for corporate tax receipts.

The REC estimate for FY 2009 corporate tax revenue is \$407.1 million, a decrease of 15.9% compared to actual FY 2008. Year-to-date total corporate tax revenue decreased 15.1%.

**Other tax receipts** received in February totaled \$23.1 million, a decrease of \$7.0 million (- 23.3%) compared to February 2008. Inheritance, insurance, franchise, and cigarette tax receipts were all down for the month.

The REC estimate for other tax revenue is \$493.0 million, a decrease of 0.2% compared to actual FY 2008. Through February, other tax revenue decreased 3.5%.

**Other receipts** (non-tax receipts) received in February totaled \$23.7 million, a decrease of \$3.1 million (- 11.6%) compared to February 2008. Interest, fees, judicial, and miscellaneous receipts all decreased for the month.

The REC estimate for FY 2009 other receipts revenue is \$376.2 million, a decrease of 1.2% compared to actual FY 2008. Year-to-date total other receipts have decreased 1.2%.

**Tax Refunds** issued in February totaled \$144.1 million, an increase of \$6.3 million (4.6%) compared to February 2008. In addition, school infrastructure refunds totaled \$37.0 million in February.

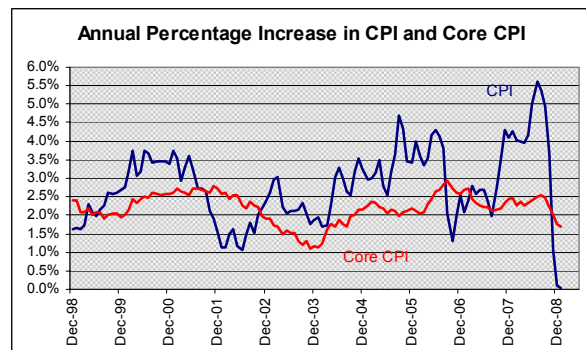
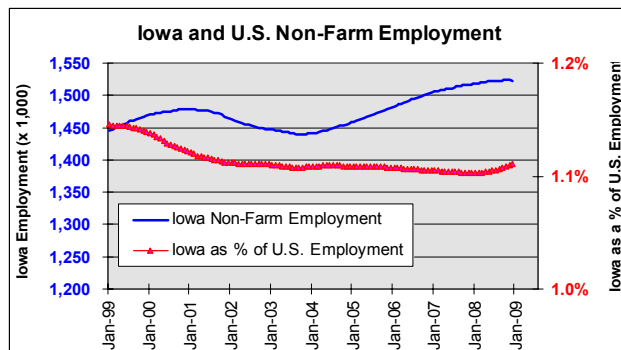
Cash year-to-date tax refunds issued total \$397.6 million, \$63.6 million (19.0%) above the amount through February of last year. In addition, school infrastructure refunds totaled \$221.5 million through February.

## Status of the Economy

Iowa non-farm employment was reported at 1,526,900 for the month of December (not seasonally adjusted), 7,300 lower (- 0.5%) than December 2007. This is the first negative growth month since September 2003.

Iowa's 12-month average employment is presented in a graph below. The average non-farm employment pre-recession peak was February 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The current 12-month average reading is now 1,523,200 so annualized Iowa non-farm employment is 44,500 above its 2001 peak and 83,300 above the 2003 low.

The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. The percentage has increased slightly the past twelve months and is now at its highest level since January 2003.



Consumer prices increased 0.4% during January (not seasonally adjusted). The Consumer Price Index (CPI-U) through January 2009 was 211.1 (1983/84=100). After three consecutive months over 5.0%, annual inflation has now decreased for six months and the year-over-year change is now 0.0%, its lowest level since the mid-1950s.

Core CPI, an inflation measure excluding food and energy prices, increased in January and stands at 1.7%, year-over-year. The core inflation rate declined considerably from the early 1990s through March 2004 and had not been below 2.0% since August 2004. For the two components excluded from the core rate, energy prices increased 2.0% in January and currently stand at negative 20.4% in the year-over-year comparison while food prices are up 5.2% year-over-year, marking the tenth consecutive month the figure has been at or above 5.0%.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2008 vs. FY 2009 July 1 through February 28 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 08 Actual Compared to FY 09 REC Estimate		
	FY 2008	FY 2009	Year to Date % Change	February % Change	Actual FY 2008	Estimate FY 2009	Projected % Change
Personal Income Tax	\$ 2,050.5	\$ 2,091.7	2.0%	-1.3%	\$ 3,359.7	\$ 3,424.4	1.9%
Sales/Use Tax	1,378.4	1,618.8	17.4%	13.5%	2,000.2	2,418.8	20.9%
Corporate Income Tax	287.0	243.7	-15.1%	-63.8%	483.8	407.1	-15.9%
Inheritance Tax	52.6	52.1	-1.0%	-47.6%	78.4	83.9	7.0%
Insurance Premium Tax	57.5	51.7	-10.1%	-54.5%	111.7	115.6	3.5%
Cigarette Tax	151.7	148.3	-2.2%	-8.0%	229.5	224.0	-2.4%
Tobacco Tax	13.9	15.2	9.4%	0.0%	21.2	21.8	2.8%
Beer Tax	9.9	10.0	1.0%	0.0%	14.5	14.5	0.0%
Franchise Tax	20.4	18.1	-11.3%	-45.5%	37.6	32.2	-14.4%
Miscellaneous Tax	0.4	0.4	0.0%	100.0%	1.0	1.0	0.0%
 Total Special Taxes	 \$ 4,022.1	 \$ 4,250.0	 5.7%	 0.3%	 \$ 6,337.5	 \$ 6,743.3	 6.4%
 Institutional Payments	 9.5	 10.1	 6.3%	 61.5%	 14.9	 13.5	 -9.4%
Liquor Profits	44.9	53.1	18.3%	0.0%	72.4	81.6	12.7%
Interest	22.0	12.9	-41.4%	-35.7%	25.3	16.5	-34.8%
Fees	54.9	50.6	-7.8%	-28.2%	82.1	71.3	-13.2%
Judicial Revenue	55.5	57.4	3.4%	-3.4%	90.0	95.0	5.6%
Miscellaneous Receipts	25.7	25.0	-2.7%	-25.0%	36.1	38.3	6.1%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
 TOTAL GROSS RECEIPTS	 \$ 4,294.7	 \$ 4,519.1	 5.2%	 -0.1%	 \$ 6,718.3	 \$ 7,119.5	 6.0%
Accrued Revenue-Net					-24.0	14.9	
Tax Refunds *	-334.0	-397.6	19.0%	4.6%	-674.8	-755.0	11.9%
School Infrast. Refunds *	0.0	-221.5			0.0	-388.1	
 TOTAL NET RECEIPTS	 \$ 3,960.7	 \$ 3,900.0	 -1.5%	 -8.5%	 \$ 6,019.5	 \$ 5,991.3	 -0.5%
* For FY 2008 and FY 2009 Year-to-Date, refunds are listed on a cash basis. For FY 2008 Actual and FY 2009 Estimate, refunds are listed on a fiscal year basis.							